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Message Text

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ACTION EUR-10

INFO OCT-01 SS-14 ADP-00 EA-13 EB-03 L-02 PM-03 PRS-01

INR-09 NSC-10 NSCE-00 CIEP-01 NSAE-00 SCEM-01 TRSE-00

USIA-04 OEP-01 RSC-01 RSR-01 CIAE-00 /075 W
---------- 027298
R 241930 Z MAY 73
FM AMEMBASSY BONN
TO SECSTATE WASHDC 5311
INFO USMISSION BERLIN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 07531

LIMDIS

BERLIN FOR AMBASSADOR HILLENBRAND

E. O.: 11652: GDS
TAGS: ENRG, LY, GW
SUBJECT: LIBYAN OIL NEGOTIATIONS

REF: (A) STATE 97463; (B) STATE 96585; (C) BONN 7012

1. SUMMARY. DRAWING ON THE DEPARTMENT' S REFTELS EMBOFF HAS BRIEFED ECONOMICS MINISTRY ASSISTANT SECRETARY LANTZKE ON THE STATUS OF LIBYAN NEGOTIATIONS WITH THE COMPANIES. LANTZKE WAS EXTREMELY GRATEFUL FOR OUR BRIEFING, BUT QUITE DEPRESSED OVER LIBYAN PROSPECTS, GIVEN THE FRG' S HEAVY DEPENDENCE ON LIBYAN CRUDE. OUR JUDGMENT IS THAT THE FRG WOULD PROBABLY JOIN IN A CONSUMER EMBARGO OF EXPROPRIATION OIL ONCE CONFISCATING ACTION HAD OCCURRED IF (1) THE INTERNATIONAL COMPANIES COULD MAKE UP PART OF THE FRG' S RESULTING IMPORT DEFICIT (2) OTHER MAJOR CON-
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SUMER COUNTRIES SHARED PART OF THE UNCOVERABLE IMPORT SHORTFALL OF THOSE HEAVILY DEPENDENT ON LIBYAN CRUDE AND (3) GELSENBERT WERE HIT BY THE CONFISCATORY ACTION. THE LATTER MAY NOT BE AN ESSENTIAL CONDITION, BUT IT WOULD BE DIFFICULT FOR THE FRG TO TAKE AN ACTION WHICH COULD PROVOKE LIBYAN ACTION AGAINST GELSENBERG, WHICH HAS AN FRG INVESTMENT GUARANTEE. END SUMMARY.

2. LANTZKE WAS AWARE OF A BRITISH SUGGESTION OF A POSSIBLE EXTRAORDINARY HIGH LEVEL GROUP MEETING, IN ADVANCE OF THE SCHEDULED JUNE 12 SESSION. HE VOLUNTEERED HIS STRONG VIEW THAT THE CONSUMERS SHOULD NOT HOLD A SPECIAL SESSION IN ADVANCE OF ACTUAL NATIONALIZATION ACTION, BECAUSE SUCH A SESSION WOULD FAIL. LANTZKE SAID 18 HOURS OF DISCUSSION AT THE EC ENERGY COUNCIL MAY 22 HAD CONVINCED HIM THAT IT WOULD BE IMPOSSIBLE TO SECURE CONSUMER AGREEMENT ON AN EMBARGO AS A CONTINGENCY MEASURE.

3. LANTZKE ASKED WHETHER THE COMPANIES' NEGOTIATING POSITION IMPLIED THAT THEY WOULD BE WILLING TO MAKE UP THE SHORTFALL OF 100 MILLION TONS PER YEAR THAT WOULD RESULT FROM A LIBYAN SHUTDOWN. WE REPLIED THAT THE COMPANIES WOULD NO DOUBT TRY TO REDUCE THE SHORTFALL BUT THAT OUR UNDERSTANDING WAS THAT PRESENT SPARE PRODUCTION CAPACITY WAS PROBABLY LESS THAN LIBYAN PRODUCTION. LANTZKE THEN NOTED THAT IF CIRCUMSTANCES (UNSPECIFIED) RESULTED IN AN INTERRUPTION OF THE FRG' S SUPPLY OF LIBYAN CRUDE, THE FRG WOULD NEED SOME HELP FROM OTHER CONSUMERS (NOT JUST THOSE IMPORTING LIBYAN CRUDE) IN SHARING THIS SHORTFALL. IN ACCORDANCE WITH INSTRUCTIONS WE DID NOT DISCUSS THE SUBJECT OF EMBARGO.

4. COMMENT: REGARDING THE EMBASSY ASSESSMENT REQUESTED IN PARA 2 OF REF A, THE FIRST POINT HAS TO BE THAT AN EMBARGO OF LIBYAN CRUDE WOULD COST THE FRG DEARLY. LIBYA PRO-

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USIA-04 OEP-01 RSC-01 RSR-01 CIAE-00 /075 W
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TO SECSTATE WASHDC 5312
INFO USMISSION BERLIN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 02 OF 02 BONN 07531

LIMDIS

VIDED 27.8 PERCENT OF THE FRG' S CRUDE IMPORTS LAST YEAR AND IS SCHEDULED TO RPOVIDE 22 PERCENT (24.7 MILLION TONS) THIS YEAR, ON THE BASIS OF REFINERIES' PLANS. AN ADDITIONAL PROBLEM FOR THE FRG WOULD ARISE IF AN EMBARGO IS PROPOSED IN RESPONSE TO CONFISCATION OF SOME COMPANIES, NOT INCLUDING GERMANY' S GELSENBERG. GELSENBERG NOT ONLY PROVIDES 3 MILLIONS OF THE FRG' S ANNUAL CRUDE IMPORTS FROM LIBYA BUT ALSO REPRESENTS A LIABILITY OF ABOUT DM 400 MILLION FOR THE FRG' S INVESTMENT GUARANTEE PROGRAM. THUS, IT WOULD BE DIFFICULT FOR THE FRG TO PARTICIPATE IN AN ACTION THAT COULD PROVOKE LIBYAN ACTION AGAINST GELSENBERG. IF GELSENBERG IS NATIONALIZED AND NO OR INADEQUATE COMPENSATION IS OFFERED, GELSENBERG' S INTERESTS WOULD AFFECT THE FRG IN THE OPPOSITE DIRECT- ION, THAT IS, BE A FACTOR STRONGLY FAVORING EMBARGO.

5. THE FRG HAS UNDOUBTEDLY CONSIDERED THE PROSPECT OF A CONSUMER EMBARGO. (SEE LANTZKE' S COMMENT IN PARA 6 OF
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BONN' S REFTEL, PARTICULARLY HIS STATEMENT THAT AN IM- PORT LICENSING SYSTEM WOULD PUT THE FRG GOVERNMENT IN A BETTER POSITION TO COOPERATE IN BOYCOTTS OF EXPROPRIATION OIL). THE GOVERNMENT' S BASIC REACTION WOULD PROBABLY BE IN FAVOR OF JOINING IN AN EMBARGO IF THE NATIONALIZATION ACTION AND ITS CONFISCATORY NATURE WERE CLEAR. UNDEFINED LIBYAN OFFERS OF FULL COMPENSATION WOULD PRODUCE A FUZ- ZIER PICTURE.

6. WE WOULD EXPECT, HOWEVER, THAT LANTZKE' S STATEMENTS ABOVE (IN ANOTHER CONTEXT) AND THE FRG' S GENERAL VIEWS ON THE ROLE OF " THE HAVE- NOTS" IN CONSUMER COOPERATION WOULD MEAN THAT THE FRG' S PARTICIPATION IN A LIBYAN EMBARGO WOULD BE CONDITIONAL ON COMPANY AND CONSUMER COUNTRY SACRIFICE TO HELP REDUCE AND SHARE THE RESULTING

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BIG HOLE IN THE FRG' S CRUDE IMPORTS.
HILLENBRAND

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